



Reassessment: Past, Present and Future

Department of Local Government Finance

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Reassessment: Past, Present and Future

- Results of the 2012 Reassessment
- What Happens in 2013 and 2014
- Cyclical Reassessment – Future Reassessments
- Questions



Reassessment: Past, Present and Future

- **Reassessment Administration and Concepts:**

- ***Purpose of Reassessment:***

To produce accurate and uniform values throughout an assessment jurisdiction and across all classes of property.

- ***Place of Reassessment:***

Real property is assessed at the place where it is situated. Per IC 6-1.1-2-4 (b) and (c), real property is assessed to the person liable.



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- ***Department of Local Government Finance Oversight:***

Per IC 6-1.1-4-31(a), the Department shall periodically check the conduct of a general reassessment of property.

- ***Reassessment Principles:***

The Indiana Constitution, the statutes of the Indiana General Assembly, and case law by the Indiana Courts (including the Indiana Tax Court and the Indiana Supreme Court) are the foundation of the reassessment. The reassessment does not ensure absolute and precise exactitude as to the uniformity and equality of each individual assessment.



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- A reassessment is the physical inspection of each property to ensure property record information is correct.
- The valuation date for the 2012 general reassessment was March 1, 2012.
- A property's assessment, as determined using the Assessment Guidelines, is presumed to be accurate.



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- A taxpayer may challenge that presumption with evidence that is consistent with the Assessment Manual's definition of true tax value.
- Per HEA 1001 – 2009 (ss), the assessing official now has the burden of proof where the assessment increased more than five percent (5%) over the preceding assessment date. Effective July 1, 2009.
- The burden of proof is applicable during a period of a General Reassessment.



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- Changes for the 2012 reassessment:
- Why the DLGF Updated the Cost Schedules:
 - 2002 cost schedules were based on 1999 costs
 - Construction costs have changed
 - Original Guidelines (Manual) was written 35 years ago
 - Construction methods, design, materials have changed
 - Cost model assumptions needed review & update



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- What goals were set for doing the update?
 - Minimize the cost
 - No change in data collection requirements
 - Retain existing format to minimize software impact
 - Develop an in-house annual update capacity if possible



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- If Indiana's assessment standard is "market-value-in-use," why were cost schedules needed?
 - Construction cost provides the foundation from which sales calibration analysis and adjustments begin
 - Cost of construction is understandable to most people
 - New research on using parcel x-y location coordinates has found that accurate replacement cost new (RCN) is an important variable for improving model results in Geographic Attribute Weighted Regression, a technique that is yielding the best house price estimates to date.



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- Overall, specific cost changes have varied by type of improvement and size. **The increase in costs for the 2012 General Reassessment Guidelines does not necessarily mean that an *assessed value* increased by a particular amount.**
- The cost tables will be updated on an annual basis (see [http://www.in.gov/dlgf/files/121031 - Wood Memo - Release of Updated Cost Information for 2013 Annual Adjustment.pdf](http://www.in.gov/dlgf/files/121031_Wood_Memo_Release_of_Updated_Cost_Information_for_2013_Annual_Adjustment.pdf); [http://www.in.gov/dlgf/files/121031 - Appendix C 2013.pdf](http://www.in.gov/dlgf/files/121031_Appendix_C_2013.pdf) ; and [http://www.in.gov/dlgf/files/121031 - Appendix G 2013.pdf](http://www.in.gov/dlgf/files/121031_Appendix_G_2013.pdf)).



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■ Results of the Reassessment:

- Statewide, the total assessed value (excluding agricultural land) **decreased** by 0.7%.

– Category	Counties
More than 3% Decrease	24
2% to 3% Decrease	10
1% to 2% Decrease	13
Less than 1% Change	24
1% to 2% Increase	6
2% to 3% Increase	6
More than 3% Increase	7



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- Minimum = -16.2%
- Maximum = 10.3%
- Median = -1.1%
- This does not include LaPorte County.



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- Other thoughts on the reassessment:
 - Compared to prior statewide general reassessments, the 2012 reassessment went relatively well, and with the exception of one county, has been completed in a timely manner.
 - The wide shifts or changes either within or between property classes has not occurred. This may be attributable, in large part, to the Annual Adjustment process.
 - Some taxpayers, however, may have experienced a significant change in their assessed value.



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- **What Happens in 2013 and 2014:**
- The annual adjustment process will be in effect for the March 1, 2013 and March 1, 2014 assessment dates.
- Counties will annually adjust (“trend”) their assessed values much like they did for the 2006 – 2011 assessment dates.
- Per 50 IAC 27-3-2, the assessing official will use sales of properties occurring after January 1 of the prior calendar year (e.g. for the March 1, 2013 assessment date, sales from 1/1/2012 – 2/28/2013).
- A longer period may be required to produce a representative sample for each class within the county.¹⁴



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- Under the Annual Adjustment process, the assessor does not need to change the assessment of every property every year.
- They should only adjust assessments when:
 - there is a “clear indication based on market evidence” that valuations no longer meet assessment level and uniformity standards, or
 - there are “significant physical changes” to the property.



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- Neighborhoods must have five (5) or more sales if the sales comparison approach is used.
- If commercial/industrial improved properties have a limited number of sales (e.g. less than five sales in the strata), the county must use cost information from sources such as Craftsman, income data, Multiple Listing Service (MLS) data, etc.
- Sales used in the ratio study must be screened to ensure they reflect market value-in-use of the real property transferred.



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- Every arm's length, open market sale that appears to meet the condition of a market value-in-use transaction must be included in the ratio study *unless*:
 - Sales data are incomplete, unverifiable, or suspect; or
 - It fails to pass one or more specific tests of acceptability in the IAAO *Standard on Ratio Studies*.



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- The county should take position that all sales are candidates for ratio study...
...unless “**sufficient and compelling information**” can be documented to show otherwise.
- No “cherry picking” will be permitted.
 - Occurs when assessors regard only sales that closely match assessed values as valid.



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- The Level of Assessment (Median) must fall between 0.90 and 1.10 for any class of property.
- The Coefficient of Dispersion (COD) standard for improved residential property will be 15.0 or less.
- Income producing property, vacant land, and other real property will have a COD of 20.0 or less.



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- The Price Related Differential (PRD) must be between 0.98 and 1.03.
- If there are less than 20 sales in a particular township or class of property, the Spearman Rank test will be relied upon to determine if vertical equity has been met for the stratum.



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- Confidence Intervals: The range within which one can conclude that measure of population (such as median ratio) lies.
- The Department uses a 95% confidence interval.
 - Median may be 0.88, which is outside the International Association of Assessing Officers (IAAO) Standard.
 - But a 95% interval may range from 0.83 to 0.96.
 - Since the median could be 0.96, it will be accepted.
- Assessors do not need to calculate the confidence interval, but rather these will be automatically calculated by the Department using SPSS software.



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- **Cyclical Reassessments – Future Reassessments:**
- Per Senate Enrolled Act 19 - 2012, starting July 1, 2014, a “general reassessment” of property has been replaced with a “cyclical reassessment.” (That refers to the reassessment of 25% of the parcels in each year of the cycle.)
- The basic premise of a “cyclical reassessment” is to spread the reassessment activities, including the inspection and updating of all of the parcels and parcel characteristics, in an assessment jurisdiction, over a four (4) year period instead of a twenty (20) month period.



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- All parcels of real property in the county must be divided into four different groups, and each group must contain at least 25% of the parcels within each class of real property in the county. The reassessment begins July 1 of a year and must be completed on or before March 1 of the following year (e.g., for the March 1, 2015 assessment date, reassessment commences July 1, 2014 and must be completed by March 1, 2015). All real property must be reassessed once during each reassessment cycle (see [http://www.in.gov/dlgf/files/121116 - Wood Memo - Cyclical Reassessment Guidance \(final draft\).PDF](http://www.in.gov/dlgf/files/121116%20Wood%20Memo%20-%20Cyclical%20Reassessment%20Guidance%20(final%20draft).PDF)).



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- **The following are the effective dates for the cyclical reassessment:**
 - July 1, 2013: The county assessor must submit the cyclical reassessment plan before this date.
 - March 1, 2014: The Department must review and approve the plan before this date.
 - July 1, 2014: The reassessment of the first 25% of the parcels within each property class within the county starts.
 - March 1, 2015: The reassessment of the first 25% of the parcels must be completed.



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- July 1, 2015: The reassessment of the second 25% of the parcels within each property class within the county starts.
- March 1, 2016: The reassessment of the second 25% of the parcels must be completed.
- July 1, 2016: The reassessment of the third 25% of the parcels within each property class within the county starts.
- March 1, 2017: The reassessment of the third 25% of the parcels must be completed.



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- July 1, 2017: The reassessment of the fourth 25% of the parcels within each property class within the county starts. Note: IC 6-1.1-4-4.2 (a) states the county assessor must submit a cyclical reassessment plan “before July 1 of every fourth year thereafter.” Hence, the county assessor must submit the plan for the next four year cyclical reassessment before this date.
- March 1, 2018: The reassessment of the fourth 25% of the parcels must be completed.
- July 1, 2018: The reassessment of the first 25% of the parcels within each property class within the county for the next four year cyclical reassessment starts.



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- The appraisal of one-third ($1/3$) of the 25% of parcels must be completed before October 1 of the year in which the group's reassessment under the county reassessment plan begins. Two-thirds ($2/3$) of the parcels must be completed before January 1 of the year following the year in which the reassessment plan begins. The appraisal of all the parcels in the group shall be completed before March 1 of the year following the year in which the reassessment plan begins.



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- For example, for 25% of the parcels to be reassessed by March 1, 2015, the reassessment commences July 1, 2014, with 1/3 of the appraisal of the parcels completed by October 1, 2014, 2/3 of the appraisal of the parcels completed by January 1, 2015, and the reassessment of the parcels completed before March 1, 2015.
- If a county assessor employs a professional appraiser, the professional appraiser or appraisal firm must file appraisal reports with the county assessor by the same dates.



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- The reassessment plan must also specify the dates by which the assessor will submit the land values to the Property Tax Assessment Board of Appeals (PTABOA).
- Please note, the county assessor may modify the reassessment plan, subject to review and approval by the Department.



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- **Components of the Plan:**
- Great deference is given to local control; but, the following components should be contained in the reassessment plan:
 - An overall plan for completing the cyclical reassessment. This should include the approximate number of parcels in the jurisdiction, including a break-down by property class and the projected number of parcels to be inspected each year to meet 25% cyclical reassessment requirement.



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- Tasks or activities that were part of the 2012 general reassessment should be included in the plan. For example, sales verification/validation, neighborhood delineation, land pricing, the application of updated costs, the review and application of a market adjustment factor (if necessary), and the completion/submission of the ratio study should be part of the plan.



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- A Gantt chart should be included in the plan. A Gantt chart should list the task name or project, the person(s) responsible for the task or project, the duration of the task or project (e.g., 120 days), and a timeline starting with the end date and working backwards. Increments will show what percent of work needs to be completed by a certain date in order to complete the task or project.



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- A detailed description of the task or project should accompany the Gantt chart. For example, if the task is to photograph each property in the jurisdiction; details that should be addressed include procurement (if necessary) of a camera or cameras, the person(s) responsible for the photography, a routing map of the properties to be photographed, a decision on how many photographs and/or views (e.g., the front and back) will be taken of each property, a means to identify each property and photograph(s) and inputting the photographs into the computer system, and the time needed to complete the project (e.g., there are 10,000



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properties to be photographed, 50 properties photographed each day, one person taking the photographs, 200 days needed to complete the project [50 properties x 200 days = 10,000 properties ; 200 days/25% = 50 days per year]).

- Thus, the assessing official should plan on approximately 50 working days each year to photograph approximately 2,500 properties. At the end of the four year cyclical reassessment cycle, all 10,000 properties will have a photograph.



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- A work plan establishes key dates or benchmarks for work to be completed, ensuring the timely completion of the cyclical reassessment.
- Start with end first and work backwards.
- Benchmarks should be realistic and obtainable.
- The county assessor must submit the cyclical reassessment work plan to the Department before July 1, 2013.



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- The county assessor must determine the values of all classes of commercial, industrial, and residential land (including farm homesites) in the county using guidelines determined by the Department. The assessor determining the values of land shall submit the values to the County Property Tax Assessment Board of Appeals (PTABOA) by the dates specified in the county's cyclical reassessment plan.



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- If the county assessor fails to determine land values under the deadlines in the county's cyclical reassessment plan, the PTABOA must determine the values. If the PTABOA fails to determine the values before the land values become effective, the Department must determine the values.
- The county assessor must notify all township assessors in the county (if any) of the values. Assessing officials shall use the values determined.



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- The county assessor may not use the services of a professional appraiser for assessment or reassessment purposes without a written contract.
- The contract used must be either the standard contract developed by the Department or specifically approved by the Department.



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- The Department is required to develop a standard contract or standard provisions for contracts to be used in securing professional appraising services.
- The standard contract or contract provisions must contain:
 - 1) A fixed date by which the professional appraiser or appraisal firm shall have completed all responsibilities under the contract;
 - 2) A penalty clause under which the amount to be paid for appraisal services is decreased for failure to complete specified services within a specified time;
 - 3) A requirement that the appraiser must make periodic reports to the county assessor;



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- 4) The manner in which, and time intervals at which, periodic reports are to be made;
- 5) The stipulation of what service(s) are to be provided and what class or classes of property are to be appraised;
- 6) The contractor will generate complete parcel characteristics and parcel assessment data in a manner and format acceptable to LSA and the Department;
- 7) a provision stipulating Legislative Services Agency (LSA) and the Department have unrestricted access to contractor's work product under the contract; and
- 8) The Department is party to the contract and any addendum to the contract.



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- When the assessor assesses/reassesses any real property, they must give notice to the taxpayer, by mail, of the amount of assessment/reassessment (e.g., Form 11).
- During a period of general or cyclical reassessment, each township or county assessor shall mail the required notice of assessment within ninety (90) days after the assessor:
 - (1) completes the appraisal of a parcel; or
 - (2) receives a report for a parcel from the professional appraiser.



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- The county auditor must establish a property reassessment fund.
- The county treasurer must deposit in that fund all collections resulting from property taxes that the county levies for the county's property reassessment fund.
- The Department may raise or lower the property tax levy for a year if it determines it is appropriate because of the estimated cost of the general (cyclical) reassessment; or making annual adjustments has changed.



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QUESTIONS?????



Contact The Department

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